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EXTRAORDINARY

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GOVERNMENT OF PUNJAB

DEPARTMENT OF LOCAL GOVERNMENT
(LG-3 Branch)

NOTIFICATION

The 14th February, 2021

No. 3/4/21-1 lg3/353/1.-Whereas, The Government of Punjab aims to enable better public health and sanitation as well as provisions of good civil structure, which in turn promote economic growth and well being, there is a pressing need to augment resources and achieve piped drinking water supply to all urban households. These efforts are intended to address the problems such as depletion of groundwater, declining water quality and in-efficient service delivery in drinking water supply management in urban areas of Punjab.

Whereas, The wastage of water will remain unchecked if the Urban Local Bodies (ULBs) in general continue water supplies without metering and levy of rational tariff/user charges, which have not been revised in the last 10 years. If the consumers waste water and draw water indiscriminately, the water supply system will not be able to cope up with the demand, which may ultimately result in water rationing. This will affect the poor and low-income groups more than any other groups of our citizens. Intermittent supply leads to water rationing, which causes contamination of water due to negative pressure and weakening of the distribution system. Therefore, it is important that improvements in the water supply system are aimed through a water tariff policy that reduces the wastage of water, improves the quality of service and expands water supply coverage to the entire urban population over a period of time.

Whereas, in Punjab, Urban Local Bodies are responsible for operation and maintenance (O & M) of water supply and sewerage schemes and they recover the O & M costs through water and sewerage charges. Only about 20-30 percent of the cost of water supply and sewerage is recovered by them. The remaining 70-80 percent of O & M expenses are subsidized through the general budget of the ULBs.

Whereas, Government of Punjab provides approximately 69% of annual revenues of the Municipalities through grants from its GST receipts. In this way, their own revenues and the Government grants are used mainly to subsidise water supply O & M costs. In addition, the Municipalities and the Government of Punjab are also providing for capital expenditure on water supply and sewerage systems. Owing to high investments and subsidies in water supply and sewerage services, the ULBs are not able to spend much on other services, like

roads, drainage, city transportation, waste management, street lights, gardens and parks, health and environment.

Whereas, water charges are the same irrespective of how much water is consumed, resulting in major wastages. Currently, the Municipalities are pumping much more than the prescribed norms of per capita water per day due to this wastage. This surely results in high costs, depletion of ground water and increased production of waste water. Also, to check pollution in the rivers and other water bodies, the government is making huge capital investments to provide sewage treatment facilities. Operation and maintenance of the treatment systems is also the responsibility of the respective urban local bodies. Cost of sewerage management is increasing steadily since more and more sewage treatment plants are being added to contain pollution.

Whereas, the Government of India has mandated that to avail additional borrowing limit of 0.25 % of the GSDP and avail the funding in other centrally sponsored schemes of MOHUA, floor rates of user charges in respect of the provision of water-supply, drainage and sewerage which reflect current costs/ past inflation with a system to increase in floor rates in line with price increase need to be notified.

Therefore, The Governor of Punjab, In exercise of the powers conferred under Section 62A (2) of "The Punjab Municipal Act, 1911 (Punjab Act 3 of 1911) read with Section 19 of the Punjab General Clauses Act, 1898 all other powers enabling him in this behalf, is pleased to issue following policy guidelines to all the Municipal Councils and Nagar Panchayats in the State of Punjab to rationalise Water Supply , drainage and Sewerage tariff, as under:-

- a. **Subsidies and Recovery of Operations and Maintenance Cost:**
 - i. As stated earlier, the Government of Punjab shares 11% of the GST receipts with urban local bodies. This is being done to support urban local bodies in expanding access and enhancing delivery of quality of services to its citizens. In order to ensure financial sustainability, expansion of coverage and improvement in quality of services, the Government recommends that the Municipalities should provide subsidies only to the poor and needy urban dwellers in provisioning of water supply and sewerage services, while increasing the overall cost recovery.
 - ii. In cities and towns where Punjab Water Supply and Sewerage Board (PWSSB) is responsible for operation and maintenance of water supply and sewerage systems, the Government has decided to prescribe a ceiling of 20 percent of total GST revenue received by a Municipality to enable PWSSB to plan Water supply & Sanitation services and its cost recovery in a better and reliable manner.
 - iii. The Municipalities may also follow this procedure and earmark an appropriate portion of GST share for water supply and sewerage systems.
- b. Currently, water and sewerage charges do not differentiate between the poor and rich urban dwellers. Plots below 5 Marlas are exempt from payment of these charges irrespective of the built-up area. The Government recommends that the Municipalities should restrict exemptions from the payment of water supply and sewerage charges to the poor and needy. Accordingly, only single storeyed properties of plot size up to 2 Marla or 50 square yards may be considered for full exemption. The Municipalities may specify other conditions, if any required, to ensure that this exemption is only used by the needy consumers and not by high consumption users.
- c. **Volumetric Tariff:** Except as provided above, all other water consumers should be brought under a progressive volumetric tariff framework so that consumers are charged tariffs based on their actual consumption. This will ensure that poor and needy consumers are exempt and other consumers are charged based on their economic status and actual consumption. Overall, the objective should be to ensure that (O&M) charges are recovered through tariffs over a period of time and full cost recovery is achieved by the Municipalities within a period of five years from the date of issue of this policy.

d. **Tariff setting:**

- i. In line with the above principles, the Municipalities may develop their own slabs and volumetric charges for their respective cities. Further, the rates charged in rural areas and adopted by the Department of Water Supply and Sanitation of Government of Punjab may be taken as the floor rates, since it would not be equitable to subsidise urban consumers more than the rural consumers. Drainage and Sewerage charges should also be levied and linked to the water supply charges.
- ii. Customers with their own water supply system should also be levied sewerage disposal charges as well as fixed water charges where water supply infrastructure has already been provided.
- iii. In cases where surface water supply or 24x7 water supplies is being taken up, the water and sewerage charges should be recalculated using the projected income and expenditure.

- e. **Routine revision:** As per powers vested with the Municipalities, the water charges should be revised annually based on estimated O & M cost of water supply, sewerage and drainage systems with 5% annual increase. To reduce unnecessary delays and approvals, automatic tariff revisions may also be made applicable every year.

f. **Metering:**

- i. Metering of water supplies should be made applicable for all large customers and non-domestic customers. The Municipalities should also develop a time bound plan for metering of all customers.
- ii. In cases where a surface water system is being planned, metering should be made applicable to all customers. Overall, the Municipalities should aim to bring all consumers under metering within a period of five years from the date of issue of this policy.

- g. **Transparency:** In addition to the budget and financial statements, the Municipalities should also publish a separate income and expenditure account for the water supply and sewerage department or the water utility, as the case may be, as per Annexure-1, so that true cost of services and the sources of subsidies are transparently disclosed for public information.

Implementation

1. As per Section 97 of The Punjab Municipal Council Act, 1911 the respective Municipalities are fully empowered to fix and revise their water charges. To reduce the wastage of water, to check the depletion of groundwater, and to improve the service delivery, they should adopt a new structure for water/ drainage and sewerage charges (piped water supply, drainage and sewerage) considering these policy guidelines. This shall be effective from the year 2021-22.
2. The process of getting a new water/sewerage connection shall be simplified through initiatives like online application and assisted application at door step, CFC centres and Sewa Kendras. User charges collection shall be simplified by providing facilities like digital payments option, payments from Sewa Kendras and door to door Field collection.

This issues with the approval of the competent authority.

Chandigarh
The 14th February, 2021

AJOY KUMAR SINHA, IAS,
Principal Secretary to the Government of Punjab,
Department of Local Government.

ANNEXURE 1**INCOME AND EXPENDITURE STATEMENT FOR WATER SUPPLY & SEWERAGE O&S****Please replace with own AFS format for WSS if available**

Item	2019-20	2018-19	2017-18
1. WSS INCOME			
a. Charges for piped water supply			
i. From customers with flat slab rate			
ii. From metered customers			
b. Charges for sewerage			
i. From customers with flat slab rate			
ii. From metered customers			
c. Other receipts			
d. 2.5/11 of GST share allocated to WSS budget			
e. 2% surcharge of electricity bill collected by the power distribution company			
f. Other ad hoc WSS subsidy transferred to WSS account from municipal budget			
g. Other revenue grants for WSS			
TOTAL WSS REVENUE (1)			
2. EXPENDITURE			
a. Water Supply			
i. Charges for ground water/surface water abstraction			
ii. Electricity charges for the year for water supply installations			
iii. Chemicals and consumables for water supply			
iv. Fuel for water supply installations			
v. Salaries, pensions and employee benefits			
vi. Establishment expenses			
vii. Payments to casual wage labour/ daily wage labour			
viii. Payments to contracts for O & M			
ix. Repairs and maintenance			
x. Stores and spares			
xi. Other expenses related to water supply			
Sub - Total Water Supply related expenditure (a)			
b. Sewerage			
i. PCB charges for sewage disposal			
ii. Electricity charges for the year for sewage installations			

iii.	Chemicals and consumables for sewage
iv.	Fuel for sewage installations
v.	Salaries, pensions and employee benefits
vi.	Establishment expenses
vii.	Payments to casual wage labour/ daily wage labour
viii.	Payments to contracts for O & M
ix.	Repairs and maintenance
x.	Stores and spares
xi.	Other expenses related to Sewage
Sub - Total Sewerage related expenditure (b)	
c.	Common overheads for water supply and sewerage
I.	Staff
ii.	Establishment expenses
iii.	Other expenses
iv.	Municipal overheads allocated to WSS
Sub - Total Common overheads for water supply and sewerage (c)	
d.	Provision for bad debts — water supply and sewerage
e.	Interest on loans related to water supply and sewerage projects
f.	Depreciation
i.	Water supply assets
ii.	Sewerage assets
iii.	Other common assets
Sub - Total Depreciation (f)	
g.	Operating expenditure before depreciation and interest payments (a+b+c+d)
TOTAL WSS EXPENDITURE - 2 (a+b+c+d+e+f)	
h.	Operating surplus/deficit (1-g)
i.	O & M surplus (1-2)
j.	Cost recovery from user charges (without depreciation and interest) (1/(a+b))
k.	Overall cost recovery (with depreciation and interest) (1/2)